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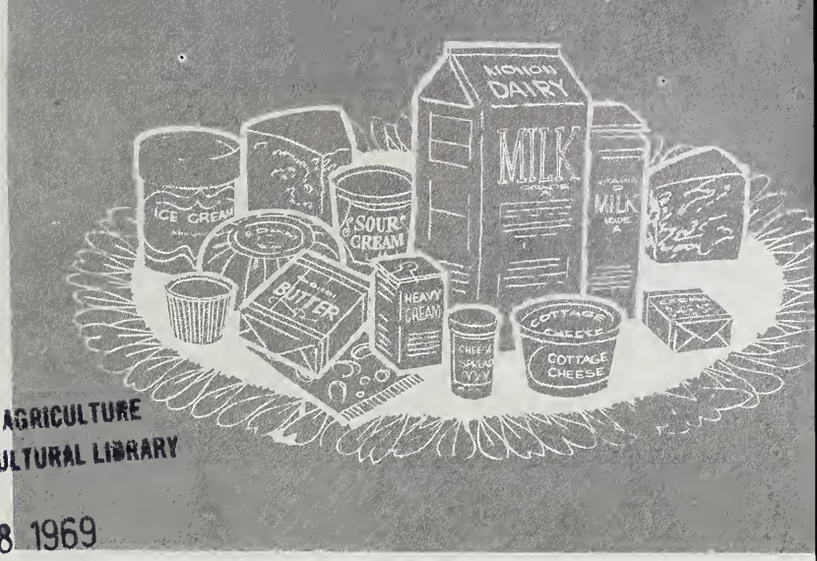

MARKET ADMINISTRATOR

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MAR 28 1969

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September, 1968 **Volume 24, No. 9**

Cow Number Decline Slows

The Dairy Situation, Economic Research Service USDA, September, 1968

In June, milk cows on U.S. farms numbered 13.1 million head, down 3.5 percent from the 13.5 million a year earlier. This is the second year that the rate of decline has slowed from the high 6 percent rate of 1966.

Surveys of the number of milk cows in the United States are made in June and in December. The June estimate of milk cow numbers tends to be a close approximation of the average number of milk cows for the year.

Improved milk prices, ample supplies of roughage, and lower feed prices than last year helped slow the sale of dairy herds and reduce herd culling, despite higher beef cattle prices. Beef cattle prices in the first half of 1968 were approximately 5 percent above those of a year earlier. They are expected to continue above year earlier levels for the rest of '68.

Rising beef cattle prices are a major factor encouraging the sale of milk cows. The manufacturing milk-beef cattle price ratio during the rest of this year is expected to continue about the same as a year earlier. Gains in manufacturing milk prices from a year earlier likely will be sufficient to offset the effect of increased beef cattle prices. These conditions are expected to hold the year-to-year decline in milk cow numbers during the remainder of 1968 below the 3.5 percent decline for June. However, cull cow prices are expected to continue near or above last year's average, and continued substantial herd culling is likely.

This June, milk cow numbers in all regions fell from a year earlier, with the drop ranging from 5 percent in the West North Central region to 2 percent in the West. However, the rate of decline slackened from last year in all regions except in the South Atlantic and Western States. Only Nevada had more milk cows this June than a year earlier. Of the 10 leading dairy States, declines ranged from 7 percent in Iowa to 1 percent in Wisconsin and California.

Fred W. Issler Retires As Market Administrator

Appointment of C. T. McCleery as Market Administrator for the Cincinnati, Columbus, Miami Valley, Northwestern, Ohio, and Tri-State marketing orders, succeeding Fred W. Issler, was announced by the U. S. Department of Agriculture. Mr. McCleery assumed his new duties September 17.

Mr. Issler, who retired September 16, after 32 years service began his career with USDA as Market Administrator at Toledo, Ohio, in 1938.

Mr. McCleery started with the Federal Order program as an auditor in the Columbus, Ohio market in 1949. He has served as Market Administrator in Upstate Michigan, Michigan Upper Pennisula, and Muskegon, Michigan as well as Madison, Milwaukee, and Northeastern Wisconsin Federal Orders.

Substitute Fluid Dairy Products

The Dairy Situation, Economic Research Service USDA, September, 1968

Substitutes for fluid dairy products are of 2 general types: (1) Those that use 1 or more components of milk as an ingredient, and (2) those without any milk components. In both instances, the products may have flavor, texture, palatability, and appearance similar to the natural dairy products. But usually their retail prices are significantly below those of their dairy counterparts.

The degree to which substitute products have replaced fluid dairy products cannot be precisely measured, but most observers consider that they have the potential to significantly change the demand for fluid milk. An indication of the possible impact substitutes may have on sales of fluid whole milk may be inferred from experience with coffee whiteners and whipped toppings.

Commercial disappearance of butter through July is estimated down about 2 percent from the same period of 1967.

Frozen product sales gained about 6 percent from a year earlier in the first quarter, slowed in the second quarter, and are up some 5 percent for January-July.

Cincinnati

MARKET FACTS FOR EASY REFERENCE

	Aug. 1968	July 1968	Aug. 1967
PRICE SUMMARY			
Producers' Uniform Price (3.5%)	$5.68*	$5.27*	$5.19*
Class I (3.5%)	6.23	6.17	5.80
Class II (3.5%)	4.20	4.18	3.94
Producer Butterfat Differential for each one-tenth percent	7.8¢	7.8¢	8.2¢
*Producer location differential—			
Distance of Receiving plant from City Hall, Cincinnati, Ohio.			
30 but less than 40 miles .06¢ less			
40 but less than 50 miles .08¢ less			
50 but less than 60 miles .10¢ less			
Each additional 10 miles or fraction thereof, an additional .015			
UTILIZATION SUMMARY			
Percent of Producer Milk in Class I	72.24	66.48	67.33
Percent of Producer Milk in Class II	27.76	33.52	32.67
PRODUCER MILK RECEIPTS			
Total Bulk Tank Milk Deliveries	55,560,442	57,303,530	54,034,728
Total Can Milk Deliveries	2,905,637	3,080,932	3,729,292
Total Pounds Producer Milk Delivered	58,466,079	60,384,462	57,764,020
Percentage of Tank Milk to Total Deliveries	95.03	94.90	93.54
Number of Tank Producers	2,448	2,446	2,505
Number of Can Producers	241	248	352
Total Number of Producers	2,689	2,694	2,857
Percentage of Tank Producers to Total Producers	91.04	90.79	87.68
Average Daily Receipts per Tank Producer	732	756	696
Average Daily Receipts per Can Producer	389	401	342
Average Daily Receipts per All Producers	701	723	652
Average Butterfat Test of All Producers	3.52	3.51	3.55
Average Daily Class I Use (Gross)	1,509,701	1,415,660	1,302,062
VALUE SUMMARY			
Total Value of Average Test	$3,327,839	$3,182,530	$3,017,831
Income per Producer (7 Day Average)	$279	$266	$238
AVERAGE DAILY SALES (Quarts)			
Milk	487,936	458,857	459,557
Buttermilk	17,903	16,346	17,792
Chocolate	16,566	14,993	14,419
Skim	124,039	114,379	102,341
Cream	9,162	9,259	9,578

COMPARATIVE STATISTICS ✱ CINCINNATI MARKETING AREA ✱ AUG., 1959-'68

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class			Uniform Producer Price (3.5%)	Class Prices at 3.5%			Number of Producers	Daily Average Production
			Class I	Class II	Class III		Class I	Class II	Class III		
1959	46,255,413	3.63	64.7	26.1	9.2	4.06	4.6070	3.1393	2.8050	3,998	350
1960	43,341,858	3.66	61.8	23.9	14.3	3.93	4.4940	3.0739	2.8600	3,975	375
1961	52,522,791	3.63	60.3	18.7	21.0	4.14	4.8056	3.3639	2.8375	3.993	436
1962	53,971,490	3.55	64.4	20.2	15.4	4.08	4.70	3.1025	2.6875	3,549	477
1963	54,883,409	3.56	62.3	17.8	19.9	4.01	4.67	3.1059	2.70	3,357	527
1964	55,244,210	3.53	59.2	21.5	19.3	4.02	4.70	3.1792	2.7125	3,193	558
1965	57,426,550	3.55	66.0	20.4	13.6	4.25	4.85	3.2429	2.7938	3,214	576
1966	63,060,953	3.57	63.1	36.9	——	5.09	5.60	4.20	——	3,148	646
1967	57,764,020	3.55	67.3	32.7	——	5.19	5.80	3.94	——	2,857	652
1968	58,466,079	3.52	72.2	27.8	——	5.68	6.23	4.20	——	2,689	701

Decline In Milk Output Slows

The Dairy Situation, Economic Research Service USDA, September, 1968

July milk production was estimated at 10.2 billion pounds, 1 percent below July 1967 The decline in milk production from a year earlier has slowed since April, as gains in milk output per cow increased. Milk production per cow averaged 783 pounds in July, up 2.5 percent from a year earlier. This compares with daily average gains of about 1 percent in the first quarter and about 2 percent in the second quarter. This upward trend may continue, since gains from a year earlier were less than normal last September-December. If these expected increases in output per cow materialize, fourth quarter milk production may exceed that of a year earlier.

January-July production totaled 72 billion pounds, down about 2 percent on a daily basis from the same period last year. Only the Pacific and Southern Plains regions increased production. Declines were largest in the Northeast and Corn Belt regions. Among the 10 leading milk-producing States, only Wisconsin, Minnesota, and California had larger production than a year earlier. Output per cow in January-July was down from a year earlier in the Northeast and showed less than normal gains in the Lake States, Corn Belt, and Western regions.

Milk production per cow gained about 1½ percent in January-July, compared with the high 4½ percent gain of a year earlier. For the first 7 months this year, milk per cow totaled 5,451 pounds, adjusted for the extra day in February, up from 5,374 a year earlier. It is believed that the low gain in output per cow early this year was caused largely by below-normal hay quality and by smaller increases in grain feeding than those of the past few years.

Prospective hay and forage supplies appear ample. Fall and winter hay prices may be less than a year earlier. However, the quality of hay in some areas has been reported below normal again this year because of continued wet weather. Feed grain crops are large this year.

Higher milk prices this fall and winter will again raise milk - feed price ratios to new high levels. These conditions are favorable to a high rate of grain feeding and to increased output per cow. Therefore, percentage gains in output per cow this fall and winter may exceed the decline in cow numbers and increase milk production from year-earlier levels. Milk production for all of 1968 is expected to total about 118 billion pounds, compared with last year's 119.3 billion.

Filled Milk Sales

The Dairy Situation, Economic Research Service USDA, September, 1968

Filled milk sales are continuing to grow in the Arizona-California markets. Sales in these 2 markets represent approximately 85 percent of the reported filled milk sales in the country. But sales have fallen off in other markets. June sales of filled milk were at the lowest level in Federal order markets since February. Sales of the non-dairy imitation milk are not reported. Based on the number of handlers selling synthetic milk in Federal order markets, its sale may amount to less than one-fifth that of filled milk. Sales of both of these substitutes for fluid whole milk products are very small relative to Class I sales. However, insofar as they substitute for fluid whole milk sales, they are contributing to the lower commercial disappearance of fluid whole milk and to the surplus of butterfat. Since filled milk uses milk solids-not-fat, its sale has not decreased sales of solids-not-fat.

American cheese sales through July rose about 2 percent above a year earlier, while commercial use of other cheese increased over 8 percent. These increases may be attributed to the general prosperity and the relatively high prices of competing products.

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519 Main Street
CINCINNATI, OHIO 45201

Imports Close To Year-Earlier Level

The Dairy Situation, Economic Research Service USDA, September, 1968

July imports of dairy products were equivalent to 198 million pounds of milk, about the same as a year earlier, but 48 percent above June.

Evaporated milk imports in July were nearly 6 times as large as a year earlier. However, they were below the high June level, as a result of the June 10 emergency import quota action on evaporated and condensed milk.

Edam and Gouda cheese imports for July were over 7 times as large as a year earlier and over 2½ times as large as in June. Included in this total were 2.9 million pounds of processed Edam and Gouda, items not now under quota, but for which import restriction have been requested. July imports of Italian types and Blue mold cheese rose sharply both from a year earlier and from June.

Swiss cheese imports were about half again as large in July as in June and over 5 times as large as in July 1967. Imports of miscellaneous types of cheese were more than twice as large as both June and year-earlier imports. Import controls are currently being considered for both Swiss and miscellaneous types of cheese not now under quota. July imports of Pecorino and Roquefort cheese—sheeps' milk cheeses, not under quota—continued to gain moderately.

Market Quotations

AUGUST 1968

MINNESOTA-WISCONSIN PRICE SERIES	$4.20
Butter-nonfat dry milk price, 3.5% per cwt. (Columbus)	4.20
Average Price per lb. 92-score butter at Chicago	.6659
Average carlot prices, spray process nonfat dry milk, f.o.b. Chicago area manufacturing plants.	.2290

1967-68 Dairy Exports Drop

The Dairy Situation, Economic Research Service USDA, September, 1968

U. S. dairy product exports (including donations) for the year ending June 30, 1968, were valued at $115 million, 5 percent below a year earlier. This decline was mainly because of a drop in exports of condensed and evaporated milk. Nonfat dry milk exports also were down, but 1967-68 exports of butter and anhydrous milkfat were above year-earlier levels.

U.S. dairy exports during the first half of 1968 were equivalent to about 0.6 billion pounds of milk, more than double the very low year-earlier levels. The increase was caused by gains in butter and anhydrous milkfat exports; exports of most other dairy products declined. Most of the gain was for anhydrous milkfat donated under government programs.

Total exports of nonfat dry milk were 183 million pounds in first half 1968, 30 percent below a year earlier. The value of dairy exports dropped 7 percent from January-June 1967.

Although 1968 dairy exports likely will exceed the low 1967 level, they will still be relatively small. Increased milk production and large surplus dairy stocks in other countries have reduced demand for U.S. products. A number of other countries have subsidized exports of butter and nonfat dry milk in an attempt to reduce their large stocks. With these conditions, world dairy prices have declined. For example, in mid-August, the EEC nonfat dry milk free-at-border price was 5.8 cents per pound, compared with 9.6 cents at the beginning of 1968 and 13.8 cents a year ago. These prices are sharply below the July U.S. price of 23.1 cents per pound. Therefore, most U.S. exports of nonfat dry milk likely will be sold at concessional prices or donated.